

**STATE OF GEORGIA
COUNTY OF FULTON
CITY OF SOUTH FULTON**

ORDINANCE No. 2017-021

**ADOPTION OF FINANCIAL POLICY ORDINANCE AND AMENDMENT TO
EXISTING ORDINANCES NO. 2017-003 and 2017-007**

WHEREAS, the City of South Fulton (“City”) is a municipal corporation duly organized and existing under the laws of the State of Georgia;

WHEREAS, Sections 6.22 through 6.25 of the City Charter authorizes the City Council to enact budget ordinances and controls;

WHEREAS, Chapter 81 of Title 36 of the Official Code of Georgia Annotated mandates that municipal governments enact annual budgets and budget controls;

WHEREAS, the City Council seeks to amend Ordinance 2017-003 to provide additional ordinances governing the budget process;

WHEREAS, Ordinance No. 2017-007 established the City’s revenue policies;

WHEREAS, the City finds it to be in the public interest and for the protection of the public welfare to establish detailed financial policy through a set of ordinances:

THE COUNCIL OF THE CITY OF SOUTH FULTON HEREBY ORDAINS
as follows:

Section 1: Repeal of Existing Budget Ordinance
Code Section 2-2005 is hereby repealed in its entirety.

Section 2: Enactment of Budget Ordinance

Chapter 8 of Title 1 of the Official Code of the City of South Fulton shall be entitled “Budget” and is hereby created as follows:

Sec. 1-8001 - Purpose

The purpose of this statement of financial policy of the City is to serve as a foundation for long and short term range planning, facilitate decision making, and provide direction to the City Council and operational staff for handling the City's day-to-day financial business. Because of the diverse nature of the City's departments and committees, having written defined financial policies minimizes the risk of developing

conflicting or inconsistent goals and objectives which could have a negative impact on the overall financial condition of the City.

Sec. 1-8002 - Fiscal year and Budget Calendar.

(a) The fiscal year for the City shall commence on October 1 and end on September 30 of each following year.

(b) The City Manager shall submit to the Council at least two (2) months prior to the start of the municipal fiscal year a budget message and a budget report, accompanied by a draft of the recommended municipal appropriations ordinance, in a form and manner as may be prescribed by ordinance, which shall provide for the appropriation of the funds necessary to operate all the various departments, and to meet the current expenses of the City for the next fiscal year.

Sec. 1-8003 – Municipal Budget Policy.

(a) The City Council shall annually appropriate by ordinance, the funds necessary to operate all the various agencies and departments, and to meet the current expenses of the City for the next fiscal year. The City Council shall comply with all state laws applicable to budget hearings, public notices, public inspection of budget documents, and budget adoption.

(b) The City Council shall not appropriate funds for any given fiscal year, which, in aggregate, exceed a sum equal to the amount of unappropriated surplus funds expected to have accrued in the City treasury at the beginning of the fiscal year, together with an amount not greater than the total municipal receipts from existing revenue sources anticipated to be collected in the fiscal year, less refunds as estimated in the budget report and amendments thereto.

(c) All appropriated funds, except for the mandatory appropriations required by law and those required to meet contractual obligations or the continued appropriation and authorization of state or federal grants, remaining unexpended and not contractually obligated at the expiration of the municipal appropriations ordinance, shall lapse and return to the City's general fund.

(d) All state or federal funds received by the city are hereby continually appropriated in the exact amounts and for the purposes authorized and directed by the state or federal government making the grant.

(e) The adoption of an annual budget for the next fiscal year shall not in itself constitute specific approval for the expenditures identified therein which shall be subject to the requirements set forth in Section 6.24 of the City Charter.

(f) The appropriation for each department, office, bureau, board, commission, function or line item for which appropriation is made shall be for a specific amount of money and, except where required by state law or expressly by ordinance, no appropriation shall allocate to any object the proceeds of any particular tax or a part or percentage thereof.

(g) When possible, the City will finance all current expenditures with current revenues and will avoid budgetary procedures that balance current expenditures through the obligation of future resources. The city will avoid using short term financing to meet operating budget requirements.

(h) All budgets for governmental funds (general, special revenue and capital project) must be balanced. Budgets for proprietary funds (enterprises and internal service) will be prepared to establish fees and charges and to maintain managerial control.

(i) Department appropriations. In addition to the provisions set forth in this Chapter:

(1) The City budget shall be adopted at the legal level of control, which is the fund/department level, and no department may exceed its appropriated funds.

(2) Transfers of appropriations within a department shall require the approval of the City Financial Officer. Transfers of appropriations between departments for funds, an increase in personal services appropriation(s), or an increase in the level of authorized positions shall require approval of the City Council.

(3) Department directors and elected officials are directed to operate within budget limitations to prevent emergency situations.

(j) The City will maintain a budgetary accounting control system to ensure adherence to the adopted annual budget, and will prepare timely financial reports comparing actual revenues and expenditures with budgeted amounts.

(k) All budgets will be adopted on a basis of accounting consistent with generally accepted accounting principles (GAAP) as applicable to governments, including all relevant Government Accounting Standards Board (GASB).

Sec. 1-8004 – Budget Ordinances

(a) Each municipal appropriations ordinance, now in force or hereafter adopted with all amendments as are adopted from time to time, shall continue in force and effect for the next fiscal year after adoption and it shall then expire except for

any mandatory appropriations required to meet contractual obligations or the continued appropriation and authorization of state or federal grants.

(b) The budget ordinance shall make appropriations in such sums as the City Council may deem sufficient, whether or not those sums are the same as those presented in the City Manager's proposed budget. The budget ordinance or resolution shall be adopted at a public meeting which shall be advertised in accordance with the procedures set forth in Chapter 81 of Title 36 of the Official Code of Georgia Annotated.

(c) The City Council may adopt supplementary appropriations as set forth in this ordinance.

(1) In addition to the appropriations made by the municipal appropriations ordinance and amendments thereto, the City Council may make additional appropriations by an affirmative vote in favor of an ordinance making such a change. Such ordinance shall be known as supplementary appropriations ordinances, provided no supplementary appropriation shall be made unless there is an unappropriated surplus in the City treasury or the revenue necessary to pay the appropriation has been collected into the general fund of the City treasury as provided by law.

(2) In no event shall a supplementary appropriations ordinance continue in force and effect beyond the expiration of the municipal appropriations ordinance in effect when the supplementary appropriations ordinance was adopted and approved.

Sec. 1-8005. – Municipal Fund Balance.

(a) The city shall maintain a prudent level of financial resources to protect against financial disruptions of City and to provide services in the case of temporary revenue shortfalls, unpredicted one-time expenditures, natural disasters or emergencies and to maintain sufficient working capital and cash flow to meet current financial needs at all times.

(b) The city's definition of fund balance for its governmental fund types will conform to generally accepted accounting principles (GAAP) as applicable to governments, including all relevant Government Accounting Standards Board (GASB). For the purposes of this Ordinance, and in accordance with GASB 54, the following terms shall be defined as follows:

(1) *Assigned* — financial resources whose use is restricted by management based on the intended use of those resources per the City Council of the City;

(2) *Committed* — financial resources whose use is restricted by action of the City Council which will remain binding unless removed in the same matter creating the restriction;

(3) *Nonspendable* — financial resources that will never convert to cash, that will not convert to cash soon enough to affect the current period, or that must be maintained intact pursuant to legal or contractual requirements;

(4) *Restricted* — financial resources that are subject to externally enforceable legal restrictions such as debt covenants, federal or state grant requirements, private donors/contributors, or other governmental entities;

(5) *Unassigned* — any residual net resources available after consideration of designation of nonspendable, restricted, committed or assigned fund balance.

(c) The City's general fund may maintain all five (5) components of fund balance.

(d) The lowest level of fund balance classification for the City's special revenue funds will be committed fund balance. Committed fund balance will be used first when paying expenses, unless the expense is for purchases which were listed as being used from restricted fund balance classification.

(e) The lowest level of fund balance classification for the City's capital project funds will be assigned fund balance for the funding of specific projects. An assigned fund balance will be spent first, unless the expenditure(s) is tied to a restricted fund balance amount. Once a project is completed, any fund balance remaining will be transferred back to the fund(s) which was the original funding source.

(f) Debt service funds will only classify fund balances as nonspendable or restricted. When debt expenses are paid, the City will use restricted fund balance first. All debt services funds will maintain a fund balance at a level to retire the debt. Once all debt is retired, or the fund balance is sufficient to retire all remaining debt, any remaining fund balance will be transferred to other City funds or projects as directed by the Governing Body.

(g) During the transition period, the City will maintain a balanced budget, and thereafter, it shall maintain as an ending unassigned fund balance for its general fund of at least two and one-half (2½) months of its prior fiscal year's actual amounts budgetary basis operating expenditures of its general fund as reflected in the City's most recent annual audit report's statement of "Budgetary Comparison Schedule - General Fund." In the event that governmental accounting standards change which eliminate the inclusion of the "Budgetary Comparison Schedule - General Fund", a statement of similar nature should be used in its place.

(1) If the general fund's unassigned fund balance fall below the minimum targeted level as defined in this policy, the City Council shall approve and adopt a plan to restore the general fund's unassigned fund balance to its target level within a twenty-four (24) month period. If due to severe financial hardship of the City, the general fund's unassigned fund balance cannot be restored within this period, the City Council shall establish a different time period.

(2) Any general fund's unassigned fund balances which exceed the minimum level established by this policy may be appropriated by the City Council for non-recurring capital projects, equipment or other operating uses.

(3) The City Council shall avoid the appropriation of general fund's unassigned fund balance for recurring operating or capital expenditures unless there is some extraordinary, non-recurring event which would require the appropriation in order to meet the needs of the citizenry or an emergency.

(h) The City shall classify its enterprise funds' net assets as Restricted, Unrestricted or Invested in Capital Assets. The City's Unrestricted Net Assets of all of its enterprise funds should be sufficient to cover operating expenses and infrastructure replacements. Unrestricted Net Assets will be spent first, unless the expense was for a restricted asset.

Sec. 1-8006. - Accounting and auditing policy.

(a) All funds of the City will be audited in compliance with O.C.G.A. §§ 36-81-7, and 36-81-20, and Generally Accepted Audit Standards as issued by Auditing Standards Board of the American Institute of Certified Public Accountants and Government Auditing Standards as issued by the Comptroller General of the United States of America.

(b) The City's annual financial report will be prepared in accordance with generally accepted accounting principles (GAAP) as issued by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants and with generally accepted governmental accounting principles as issued by the Governmental Accounting Standards Board.

(c) The City will maintain accurate records of all its assets to insure a high degree of stewardship for public property.

(d) The City shall maintain an ongoing system of financial reporting to meet the needs of the mayor and council, department directors, and the general public. The reporting system will provide for budgetary control, for monitoring of the cost of providing services, and for comparative analysis.

Sec. 1-8007. - Debt policy.

(a) As mandated by Article 9, Section 5, Paragraph 1 of the Constitution of the State of Georgia, the City's direct general obligation indebtedness not exceed ten percent (10%) of assessed value of all taxable property within the City's limits.

(b) The City shall confine long term indebtedness to capital improvements projects.

(c) The City will strive to not use short term debt for funding current operations.

(d) The City will use approved general obligation debt to fund general purpose public improvements which cannot be financed from current revenues, available general fund balances, or other current sources of capital financing.

(e) Long term financing of the city's enterprise funds will be used only when revenues of the debt issuing fund is sufficient to satisfy operating expenses and debt service requirements.

Sec. 1-8008. - Investment policy and cash management.

(a) The City will maintain a conservative program of investing all funds under the direction of the Mayor and the City Treasurer.

(b) The City investment program shall comply with all state and federal laws, rules and regulations for investing public funds and with safekeeping/security requirements.

(c) The City's investment program shall be operating based on these principles; provided, however, this section shall create no cause of action in any person:

- (1) Safety — Principal is protected from loss with secure investment practices and collateralization.
 - (2) Liquidity — Investments are readily convertible to cash when needed without incurring principal losses.
 - (3) Return of investment — Earning yields are maximized without diminishing the above principal.
- (d) The City shall ensure that all public funds are collateralized in accordance with state and federal law, thereby guaranteeing the safety of public deposits. The City will establish administrative procedures to maintain such pledged collateral and will utilize pooled collateral systems provided by the state and local depositories when possible.
- (e) The City will periodically reevaluate its banking services and will initiate competitive negotiation and bidding processes, if deemed necessary. The process may include the development of an RFP requesting quotations for banking services, services fees and earning rates available. Selection of a bank for banking services will be based on receiving the most efficient and cost effective proposals.

Sec. 1-8009. - Monetary receipt policy.

- (a) The policy of the City is that all liquid monetary assets are properly, completely and timely accounted for on a daily basis. It is the duty of the City's elected officials, management and employee to the citizens of the City to ensure that all monetary assets received by the City are recorded for occurrence and completeness, physically secured and controlled, deposited timely, and allocated to City's general ledger accounts in a timely and efficient manner. Liquid monetary assets are defined as cash, checks, credit cards payment, electronic payments, ACH (Automated Clearinghouse) or wires payments.
- (b) The purpose of this policy is:
- (1) To maximize the revenue accruing to the City through the investment of city funds and any trust funds to the extent allowed by law, ordinance, and contract.
 - (2) To minimize the clerical efforts required to handle, process, and account for all monies received.
 - (3) To maximize the accountability of monies received by the City.

(c) All monetary assets received by offices of the City, or any of its related entities, shall be deposited timely, meaning within two (2) working days, into the City's banking system(s).

(d) Department directors/supervisors are responsible for the safekeeping of monetary assets received by their departments and the prompt receipting into the City's cash management program, or the prompt transfer to the City Treasurer's office for receipting into the cash management program.

(e) All monetary assets received in a day will be deposited in the form in which they are received.

(f) Cash received shall not be used to pay any City bills, cash personal checks, or be used for any other type of transaction.

Section 3: Creation of Chapter 9 of Title 1: Purchasing, Contracting, and Disposition of Property.

Sec. 1-9001. - Contracting procedures.

(a) Other than contracts for employment, no contract with the City shall be binding on the City unless:

(1) It is in writing;

(2) It is drawn or submitted to and reviewed by the city attorney, and as a matter of course, is signed by the city attorney and mayor to indicate such drafting or review; and

(3) It is made or authorized by the mayor and council pursuant to lawfully enacted ordinances.

(b) The original of all contracts shall be maintained on file in the office of the city clerk.

Sec. 1-9002. - Purchasing procedures.

The City Council shall prescribe by ordinance the procedures for all purchases of real and personal property by the City. Prior to the making of purchases and contracts, the availability of adequate funds shall be certified as provided by ordinance.

Sec. 1-9003. - Sale and disposition of property.

The City Council shall prescribe by ordinance the procedures for all sales and other disposition of real and personal property by the City.

Section 4: Creation of Chapter 10 of Title 1: Fund Balance Policy

Sec. 1-100001. – Purpose.

This policy is created in consideration of unanticipated events that could adversely affect the financial condition of the City and jeopardize the continuation of necessary public services in order to address the implications of the Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions.

This policy will ensure that the city maintains adequate fund balances and reserves in order to:

- (1) Provide sufficient cash flow for daily financial needs;
- (2) Secure and maintain investment grade bond ratings;
- (3) Offset significant economic downturns or revenue shortfalls; and
- (4) Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the City's fund balance and reserve policies.

Sec. 1-100002. – Fund type definitions.

The following definitions will be used in reporting activity in governmental funds across the city. The City may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The *general fund* is used to account for all financial resources accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt services or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital project funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the city's purposes.

Sec. 1-100003. – Fund balance reporting in governmental funds.

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

- 1) *Nonspendable fund balance* —Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):
 - a) The City will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the city)
 - b) The City will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance)
 - c) The City will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact.
 - d) The City will maintain a fund balance equal to the balance of any land or other non-financial assets held for sale.
- 2) *Restricted fund balance* —Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- 3) *Committed fund balance* —Includes amounts that can be used only for the specific purposes determined by a formal action of the city council. Commitments will only be used for specific purposes pursuant to a formal action of the City Council. A majority vote is required to approve or remove a commitment.
- 4) *Assigned fund balance* —Includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The City Council delegates the City Financial Officer the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.
- 5) *Unassigned fund balance* —Includes the residual classification for the city's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Sec. 1-100004. – Operational Guidelines.

The following guidelines address the classification and use of fund balance in governmental funds:

- 1) *Classifying fund balance amounts.* Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.
- 2) *Encumbrance reporting.* Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.
- 3) *Prioritization of fund balance use.* When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the city that the committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.
- 4) *Minimum unassigned fund balance.* Except during the transition period, the city will maintain a minimum unassigned fund balance in its general fund of 12 percent of the subsequent year's budgeted expenditures. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.
- 5) *Replenishing deficiencies.* When fund balance falls below the minimum 12 percent, the city will replenish shortages/deficiencies using the budget strategies and timeframes described below.
 - The city will reduce recurring expenditures to eliminate any structural deficit; or
 - The city will increase revenues or pursue other fund sources; or
 - A combination of the two options above.

Minimum fund balance deficiencies shall be replenished within the following time periods:

- A deficiency resulting in a minimum fund balance between 12 percent and 10 percent of the subsequent year's budgeted expenditures shall be replenished over a period not to exceed one year.

- A deficiency resulting in a minimum fund balance between 10 percent and six percent of the subsequent year's budgeted expenditures shall be replenished over a period not to exceed three years.
- (5) *Surplus fund balance.* Fund balance will be considered a surplus if over 12 percent of the subsequent year's budgeted expenditures. Should unassigned fund balance of the general fund ever exceed 11 percent, the city will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature.

Sec. 1-100005. – Implementation and review.

Upon adoption of this policy the City Council authorizes the finance department to establish any standards and procedures which may be necessary for its implementation. When the need arises, the finance department shall make any necessary recommendation to the city council for changes to this policy.

Section 5: Amendment to Title 2, Revenue

Amending Title 2, Chapter 1 by adding the following:

Sec. 2-1001. - Revenue administration policy.

- (a) The City will strive to maintain a diversified and stable revenue stream to protect against short term fluctuations in any single revenue source.
- (b) The City will estimate its revenues by an objective analytical process in a prudent manner.
- (c) The City will follow a policy of paying for services with user charges where practical to reduce the reliance on taxes and other general revenue sources.
- (d) The City will seek public and private grants, contracts and other outside sources of revenues for funding projects where appropriate.
- (e) The City will establish the levels of all user charges based on an analysis of the cost of providing the service(s). User charges will be evaluated periodically.
- (f) The City shall set fees for each enterprise and internal service fund at a level that fully supports the total direct and indirect cost of the fund. The City shall not set user fees for its enterprise funds which results in extra income to be used to subsidize the services of any governmental fund.

The foregoing ordinance No. **2017-021** adopted on **September 13, 2017**, was offered by Councilmember **Willis**, who moved its approval. The motion was seconded by Councilmember **Jackson**, and being put to a vote, the result was as follows:

“SECOND READ”

	AYE	NAY
William “Bill” Edwards, Mayor	<hr/>	<hr/>
Catherine Foster Rowell, Mayor Pro Tem	<hr/> √	<hr/>
Carmalitha Lizandra Gumbs	<hr/> √	<hr/>
Helen Zenobia Willis	<hr/> √	<hr/>
Gertrude Naeema Gilyard	<hr/> √	<hr/>
Rosie Jackson	<hr/> √	<hr/>
khalid kamau	<hr/> √	<hr/>
Mark Baker	<hr/> √	<hr/>

THIS ORDINANCE adopted this 13th day of **September, 2017. CITY OF SOUTH FULTON, GEORGIA**

“SECOND READING”



WILLIAM “BILL” EDWARDS, MAYOR

ATTEST:



MARK MASSEY, CITY CLERK



APPROVED AS TO FORM:



JOSH BELINFANTE, INTERIM CITY ATTORNEY